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ABSTRACT

The U.S. Department of Education makes William D. Ford Federal Direct Loans directly to students through the schools they attend. This guide for borrowers addresses: (1) facts about repaying direct loans; (2) consequences of default; (3) managing direct loan records; (4) information review; (5) important things to find out from the school; (6) budgeting money; and (7) common loan terms. It includes information on contacting the direct loan staff, a borrower information form, and a rights and responsibilities summary checklist. (EV)

Exit Counseling Guide for Borrowers

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Contacting the Direct Loan Staf

Payments:

U.S. Department of Education
Direct Loan Payment Center
P.O. Box 746000
Atlanta, GA 30374-6000

Direct Loan Servicing Center (DLSC):

Questions about your student loan
Address/name changes
Estimated repayment information
Repayment plan changes
Deferment and forbearance forms

Mail:

U.S. Department of Education
Borrower Services Department
Direct Loan Servicing Center
P.O. Box 4609
Utica, NY 13504-4609

Phone:

Borrower Services: (800) 848-0979 or (315) 738-6634
Applicant Services: (800) 557-7394

The Direct Loan Servicing Center phone lines are open from 8 a.m. to 8:30 p.m. (EST) Monday-Friday.

Loan Consolidation Center:

Mail:

U.S. Department of Education
Consolidation Department
Direct Loan Servicing Center
P.O. Box 1723
Montgomery, AL 36102-1723

Phone:

Consolidation Department: (800) 557-7392

TDD Service for the Hearing Impaired:

Applicant Services: (800) 557-7395
Borrower Services: (800) 848-0983

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Introduction

The U.S. Department of Education (ED) makes your William D. Ford Federal Direct Loans directly to you through the school(s) you attend. ED is your lender and will remain your lender throughout the life of your Direct Loans. The Department of Education's Direct Loan Servicing Center (Servicing Center) oversees your loan account until each loan is paid in full.

While the Servicing Center will oversee your loan account until your loans are paid in full, you are the real loan manager because you are responsible for repaying your loans. As a Direct Loan borrower who is graduating from your program or who is no longer attending school at least half time, you will have many decisions to make in the near future, including decisions about managing the repayment of your student loans.

This *Exit Counseling Guide for Borrowers (Borrowers' Guide)* can help you

- Decide on the repayment plan that will fit your circumstances;
- Make repaying your loans as simple as possible;
- Understand the information about your rights and responsibilities as a borrower of Federal Direct Stafford/Ford Loans (Direct Subsidized Loans), Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans), and Federal Direct Consolidation Loans (Direct Consolidation Loans); and
- Help you develop a workable budget for your new life out of school.

Note that the estimates in the examples used throughout this *Borrowers' Guide* are based on current U.S. Department of Education policy. The figures given in some examples have been rounded to the nearest whole dollar. The Servicing Center will provide you with the exact payment amounts for your loans when you enter repayment.

Information about Direct Loans is available on our web site (www.ed.gov/DirectLoan). The site features general information and interactive calculators for budgeting and determining repayment options.

Please remember that if you have any questions about your loans, your school's financial aid office and the Servicing Center are there to help you.

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Facts About Repaying Your Direct Loans

Who gets my loan payments?

Your loan payments will go to the U.S. Department of Education's Direct Loan Servicing Center. Most communication with you will be by mail, but you may also call the Servicing Center whenever you have questions or concerns about your loan account. When contacting the Servicing Center, you should always use the address and toll-free telephone number provided on all the correspondence you receive from the Servicing Center.

How do I make payments?

You can pay by check every month or by Electronic Debit Account (EDA). If you elect to pay by check, you should send all loan payments to the Servicing Center. The address for mailing payments will appear on your billing statement. If you select EDA, loan payments will automatically be deducted from your checking account.

When do I begin repaying my loans?

After you graduate, leave school, or drop below half-time enrollment, you have six months before you must begin repaying your loans. This is called the "grace period." If you have Direct Subsidized Loans, you won't be charged any interest during your grace period. If you have Direct Unsubsidized Loans, you will be responsible for the interest charged during your grace period. You may either pay this interest as it accumulates or have it capitalized when you start repaying your loans (see page 3 for a discussion of capitalization). For information on what to do about your loans if you return to school later, see pages 16 & 17.

Your repayment period begins the day after your grace period ends. Your first payment will be due within 60 days after your repayment period begins.

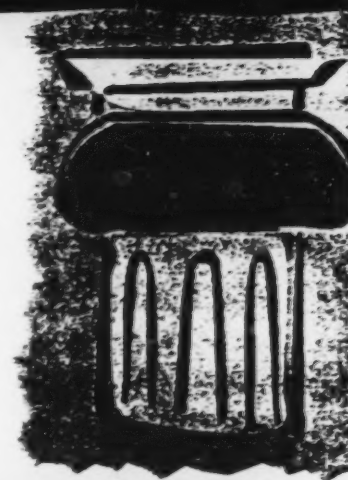
What is the interest rate on my loans?

The interest rate for both Direct Subsidized Loans and Direct Unsubsidized Loans is variable and is adjusted each year on July 1. The interest rate will be calculated differently depending on several circumstances. The interest rate during the in-school, grace, and deferment periods is equal to the 91-day Treasury bill rate plus 1.7 percentage points—if your loans were made on or after July 1, 1998. If your loan was made before July 1, 1998, the interest rate for those periods is equal to the 91-day Treasury bill rate plus 3.1 percentage points. **By law, however, your interest rate can never exceed 8.25 percent (see Example A).**

The Servicing Center will notify you each year in writing about the interest rate that will go into effect on July 1. Note that the fixed amount you pay each month will be adjusted to account for any changes in the interest rate. The length of your repayment period will not be adjusted unless you request it by contacting the Servicing Center.

The interest charged on Direct Loans is calculated on a simple daily basis. This means your interest charge will be calculated each day over the course of a year. Your payments are applied to both the interest that was added during the previous month and

your principal balance (the total amount you still owe). If you want to pay all or part of your loans early, the interest you are required to pay will be computed only to the day on which you pay back your loans in full.



Example A:

This example shows how the interest rate is calculated for Direct Subsidized and Unsubsidized Loans in repayment.

Treasury bill rate + 2.3% =
interest rate

If the Treasury bill rate were 4.4 percent, the interest rate would be 6.7 percent because:

$$4.4\% + 2.3\% = 6.7\%$$

However, if the Treasury bill rate were 6.6 percent, the interest rate would be 8.25 percent because:

$$6.6\% + 2.3\% = (8.9\%) \text{ 8.25\%*}$$

**The interest rate is "capped" because the calculated rate is higher than the legally set maximum rate of 8.25 percent for student borrowers.*

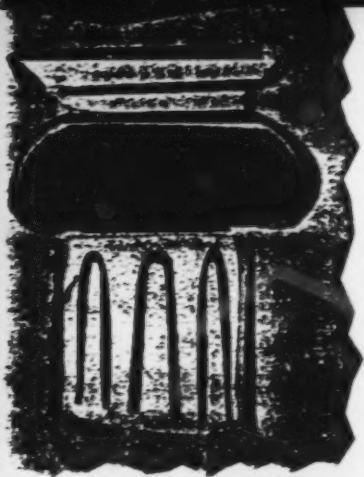
Note: Often, when you hear people talk about loans and interest, you hear them make a statement such as, "Interest accrues at the rate of 8.25 percent." The word "accrues" simply means "accumulates." You might also hear people say, "Interest is charged at the rate of 8.25 percent." The terms "accrues," "accumulates," and "is charged" may be used interchangeably.

If you have Direct Subsidized Loans, no interest was charged on your loans while you were in school, and none will be charged during your grace period. If you have Direct Unsubsidized Loans, interest was charged on your loans while you were in school—you may or may not have been paying that interest. You will also be responsible for the interest that accumulates during your grace period. If you have Direct Unsubsidized Loans and you do not pay the interest as it accumulates, it will be capitalized when you enter repayment (see the next column for details).

What is capitalized interest?

Capitalized interest is interest that has not been paid as it accumulates but has been added to the principal balance of your loans (the total amount you borrowed). Unpaid interest will be capitalized whenever your borrower status changes—for instance, when you enter repayment or come out of deferment or forbearance. (In some cases, under the Income Contingent Repayment Plan, interest may also be capitalized yearly.) If you do not pay the interest on your loans while in school, you will pay it when your loans enter repayment. Capitalized interest becomes part of the principal of your loans; therefore, it increases the total cost of repaying your loans because interest accumulates on the new, higher principal. (See Example B to understand how this works.)

By law,
your interest
rate can
never exceed
8.25 percent.



Example B: Capitalizing Interest

This chart compares the costs of paying (not capitalizing) the interest and not paying (capitalizing) the interest on a \$2,625 Direct Unsubsidized Loan at 8.25 percent interest, under the Standard Repayment Plan. The borrower attended school for 9 months and then had a 6-month grace period.

Type of Interest	Loan Amount	Interest Charged	Interest Paid	Principal to Be Repaid	Monthly Payment	Number of Payments	Total Repayment
Not Capitalized	\$2,625	\$251	\$251	\$2,625	\$50	65	\$3,498*
Capitalized**	\$2,625	\$251	\$0	\$2,876	\$50	73	\$3,673

*Total repayment includes the \$251 in interest paid before the loan went into repayment.

**Interest was capitalized once, when the borrower entered repayment (15 months after the loan was made).

If you do not choose a repayment plan, your loans will automatically be placed in the Standard Repayment Plan.

What Are the Different Repayment Plans?

You may choose to repay Direct Subsidized Loans and/or Direct Unsubsidized Loans through one of these four repayment plans:

- Standard Repayment Plan,
- Extended Repayment Plan,
- Graduated Repayment Plan, or
- Income Contingent Repayment Plan.

You must repay all your Direct Subsidized and Direct Unsubsidized Loans under the same type of repayment plan. If you do not choose a

repayment plan, your loans will automatically be placed in the Standard Repayment Plan.

Note that your repayment period will not include any periods of deferment or forbearance. (See pages 13 and 14 for discussions of these terms.)

If none of the repayment plans listed below meet your needs because you have exceptional circumstances, contact the Direct Loan Servicing Center to request an alternative repayment plan.

Example C: Standard Repayment Plan

This example shows Direct Subsidized Loans repaid at the maximum interest rate for student borrowers (8.25%) under the Standard Repayment Plan for 10 years (120 payments).

Loan Amount	Monthly Payment	Total Amount Repaid
\$15,000	\$184	\$22,077*

*\$15,000 in principal and \$7,077 in interest

Standard Repayment Plan

With Standard repayment, you will make a fixed payment of at least \$50 a month for up to 10 years. This plan results in the lowest total interest paid because the repayment period is shorter than it would be under the other plans. In general, the shorter the repayment period, the lower the total interest expense for the borrower (see Example C).

Extended Repayment Plan

With Extended repayment, you will make fixed payments of at least \$50 a month over a period of time that will vary from 12 to 30 years, depending on the total amount you owe when your loans go into repayment (see the Extended/Graduated Repayment Table on page 6).

NOTE: For lower loan amounts, the period may be less than 12 years because you must make at least the \$50 minimum payment each month.

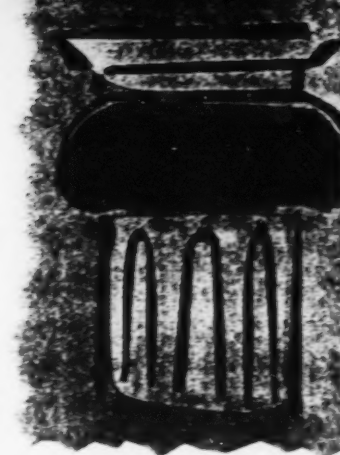
Because it will usually take you more than 10 years to repay your loans under the Extended plan, your monthly payment will be less than if you choose Standard repayment. However, the total amount you repay over the life of your loan will be greater because you will pay more interest (see Example D).

Example D: Extended Repayment Plan

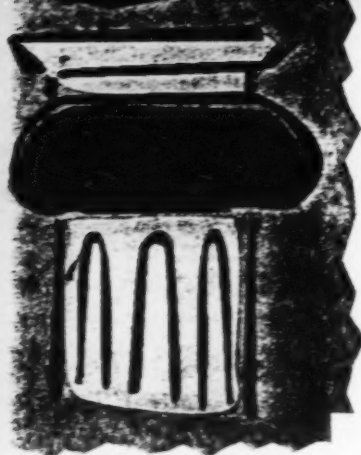
This example shows Direct Subsidized Loans repaid at the maximum interest rate for student borrowers (8.25%) under the Extended Repayment Plan for 15 years (180 payments).

Loan Amount	Monthly Payment	Total Amount Repaid
\$15,000	\$146	\$26,196*

*\$15,000 in principal and \$11,196 in interest



With the
Extended Plan,
the total amount
you repay over
the life of your
loan will be
greater because
you will pay
more interest.



Example E: Graduated Repayment Plan

This example shows Direct Subsidized Loans repaid at the maximum interest rate for student borrowers (8.25%) under the Graduated Repayment Plan for 15 years (180 payments).

Loan Amount	Beginning Monthly Payment	Ending Monthly Payment	Total Amount Repaid
\$15,000	\$103	\$244	\$28,762*

*\$15,000 in principal and \$13,762 in interest

With Graduated repayment, your payments start out low, then increase every two years.

Graduated Repayment Plan

With Graduated repayment, your payments start out low, then increase every two years. The repayment period varies from 12 to 30 years and depends on the total amount you owe when your loans go into repayment (see the Extended/Graduated Repayment Table below). Generally, the amount you will repay over the term of your loan will be higher under Graduated repayment than under Extended repayment. However, if your income is low when you leave school but is likely to increase steadily, this might be the best plan for you (see Example E).

With Graduated repayment, no scheduled payment may be:

- Less than the amount of interest that accumulates on the loans between monthly payments;
- Less than one-half of the payment you would be required to make under Standard repayment (therefore, your minimum payment would be \$25), or
- More than one-and-one-half-times the payment you would be required to make under Standard repayment.

Extended/Graduated Repayment Table

Amount of Debt	Length of Repayment Period May Not Exceed
Less than \$10,000	12 years
\$10,000 - \$19,999	15 years
\$20,000 - \$39,999	20 years
\$40,000 - \$59,999	25 years
\$60,000 or more	30 years

Income Contingent Repayment Plan

The Income Contingent Repayment Plan is designed to give borrowers the flexibility to meet their student loan obligations without causing undue financial hardship. Each year, your monthly payment will be based on your annual Adjusted Gross Income (AGI), as reported on your federal tax return, and the total amount of your Direct Loans. Your monthly payment will not exceed 20 percent of your discretionary income. "Discretionary income" equals your AGI minus the poverty level for your family size, as determined by the U.S. Department of Health and Human Services.

To participate in the Income Contingent Plan, you must authorize the U.S. Internal Revenue Service (IRS) to report the amount of your income to the U.S. Department of Education (ED). This information is used to calculate your repayment amount, which is adjusted annually to reflect changes in your AGI. If you are in your first year of repayment, you will be required to submit alternative documentation of your current income (that is, other than IRS-reported AGI) to ED. You will most likely be required to submit alternative documentation in your second year of repayment. Such documentation includes pay stubs, canceled checks, or, if these are unavailable, a signed statement explaining your income sources. The reason for this requirement is that if you filed a tax return for years that included time you were in school, it is likely that you were not working full time. Therefore, the AGI information the Department received from the IRS probably would not reflect your current income.

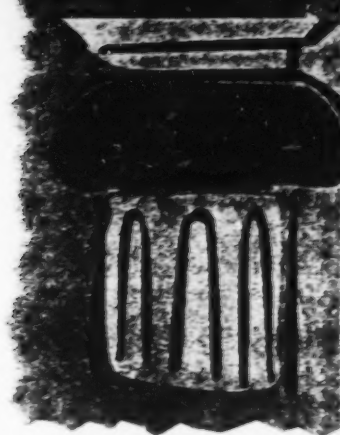
The maximum repayment period is 25 years. If you make payments under the Standard plan or the 12-year Extended plan and then switch to Income Contingent Repayment, those earlier payment periods are counted toward your 25-year repayment period. (Periods of payment under the Graduated Repayment Plan or an alternative repayment plan will not be counted toward your 25-year repayment period.) If you haven't fully repaid your loans after 25 years under the Income Contingent Repayment Plan, the unpaid portion will be discharged (canceled). However, under current law, you will have to pay taxes on the amount that is discharged.

Under the Income Contingent Repayment Plan, you pay the lesser of

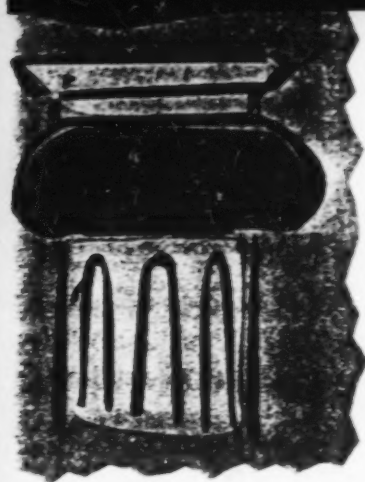
- The yearly amount you would pay if you repaid your loan in 12 years multiplied by an income percentage factor that varies with your annual income and also varies according to whether you are a single, married, or head of household borrower; or

- 20 percent of your discretionary income (as discussed above).

However, if your calculated monthly payment amount is greater than zero but less than \$5.00, you will be required to make a \$5.00 monthly payment. If your income is less than or equal to the poverty level for your family size, your payment will be \$0.



With the
Income
Contingent
Repayment Plan
your monthly
payment will be
based on your
annual Adjusted
Gross Income.



If both you and
your spouse have
Direct Loans,
you can repay
your loans
jointly.

If your payments are not large enough to cover the interest that is accumulating on your loans, the unpaid interest will be capitalized once each year until it reaches a maximum of 10 percent of the amount you owed when your loans entered repayment. After you reach this maximum, interest will continue to accrue and be payable, but it will not be capitalized. The additional interest will increase the amount you owe and may extend your repayment period. (This limit on capitalization does not apply to periods of deferment and forbearance.)

If you are married, you and your spouse's total AGI will be used to calculate your monthly payments under the ICR plan. Each of you will be required to provide written consent to disclose your tax return information.

If you submit alternative documentation of income, your spouse must also submit alternative documentation. If your spouse does not submit the necessary information, you will not be eligible for the ICR plan.

If both you and your spouse have Direct Loans, you can repay your loans jointly. Your payments will be based on your joint debt and joint income. While you are not required to repay your loans jointly, it is important to remember that if only one of you chooses to repay your loans under the ICR plan, the Department will use you and your spouse's total AGI (or alternative documentation of income) to determine the monthly repayment.

Example F: Income Contingent Repayment Plan

This example shows a borrower with a family size of one and a \$15,000 AGI. The borrower is repaying \$15,000 in Direct Subsidized Loans at 8.25 percent interest under the ICR Plan. A 5 percent annual income growth is assumed. Your income may grow at a different rate, which would affect the amount of your monthly payment and total payment.

Loan Amount	Adjusted Gross Income	Beginning Monthly Payment	Years in Repayment	Total Amount Repaid
\$15,000	\$15,000	\$103	25	\$34,654*

*\$7,697 in principal and \$26,958 in interest

Example G

Tom and Alice's Joint AGI	\$25,000
Tom and Alice's Joint Debt	\$15,000
Monthly Payment Amount	\$127
Numbers of years in Repayment	17
Total Repayment	\$28,446

(Principal = \$15,000 Interest = \$13,446)



Example G shows sample repayment amounts for married borrowers repaying under the Income Contingent Repayment Plan at 8.25 percent interest.

The Income Contingent Repayment Plan described above was effective July 1, 1996. This new formula for calculating a borrower's monthly payments will apply to borrowers who select the Income Contingent Repayment Plan when they enter repayment and to borrowers in other repayment plans who switch to the Income Contingent Repayment Plan on or after July 1, 1996.

Note: Borrowers who are already in repayment under the Income Contingent Repayment Plan prior to July 1, 1996, will continue to make payments under the "old" Income Contingent Repayment plan, although they will be given the option of converting to the new plan.

Comparing Repayment Plans

Examples of monthly payment amounts are shown in the chart on page 10. It shows the estimated beginning payment and the total amount repaid for various debt levels under the four repayment plans. To use the chart, find the amount you owe in the left hand column labeled "Initial Debt When Loan Enters Repayment." (If the amount you owe is not shown, select an amount that is close.) Next, compare what your monthly

amount would be under each of the plans, which are shown across the top row of the chart. For the Income Contingent Repayment Plan, select the income closest to your anticipated income to find the amount you would begin paying. Also note that under the Income Contingent Repayment Plan, due to different percentage factors, your payment will vary according to whether you are a single, married, or head of household borrower.

When Do I Select a Repayment Plan?

You and your school must notify the Direct Loan Servicing Center when you graduate, withdraw, or drop below half-time enrollment. At that time, the Servicing Center will send you information about the repayment plans and ask you to select one. If you do not select a plan after you receive information about your choices, the Servicing Center will place you on the Standard Repayment Plan. Now is the time to begin gathering the information you need to make this decision about repayment. You will find the budgeting process explained in this guide helpful in making your decision (see pages 22 - 26).

If you have questions about which plan might be right for you, the Servicing Center can help.

You and your
school must
notify the
Direct Loan
Servicing Center
when you
graduate,
withdraw, or
drop below
half-time
enrollment.

Examples of Debt Levels, Beginning Monthly Payments, and Total Amounts Repaid for All Direct Loan Repayment Plans¹

Initial Debt When Loan Enters Repayment	Standard		Extended		Graduated		Income Contingent ²											
	Per Month	Total	Per Month	Total	Per Month	Total	Income=\$15,000				Income=\$25,000				Income=\$45,000			
							Single		Married/HOH ³		Single		Married/HOH ³		Single		Married/HOH ³	
							Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
\$2,500	\$50	\$3,074	\$50	\$3,074	\$25	\$4,029	\$17	\$5,927	\$17	\$5,910	\$23	\$4,462	\$22	\$4,514	\$28	\$3,799	\$28	\$3,808
5 000	61	7 359	55	7 893	35	8 655	35	11,853	34	11,820	46	8 925	44	9,028	56	7 599	56	7,616
7,500	92	11,039	82	11,839	53	12,982	52	17,780	50	17,730	69	13,387	66	13,541	84	11,398	84	11,425
10 000	123	14 718	97	17 463	70	19 085	70	23,707	67	23,640	92	17,850	88	18,055	112	15,197	111	15,233
15,000	184	22,077	146	26,194	105	28,628	105	35,560	73	34,461	137	26,775	131	27,083	168	22,796	167	22,849
20 000	245	29 437	170	40 899	140	44 115	119	46 910	73	43,268	183	35,700	175	36,111	225	30,395	223	30,465
25,000	307	36,796	213	51,124	175	55,144	119	56,511	73	50,414	229	44,625	219	45,138	281	37,994	278	38,082
30 000	368	44 155	256	61 349	210	66 173	119	64 529	73	56,058	275	53,549	240	55,316	337	45 592	334	45,698
40,000	491	58,873	315	94,614	280	100,567	119	76,330	73	63,300	285	78,460	240	88,857	449	60,790	445	60,931
50 000	613	73 592	394	118 268	350	125,708	119	83,149	73	65,814	285	119,127	240	133,007	562	75 987	557	76,164
75,000	920	110,387	563	202,842	526	212,324	119	85,647	73	65,814	285	172,253	240	157,204	619	127,816	573	133,802
100 000	1 227	147,183	751	270,456	701	283,098	119	85,647	73	65,814	285	181,099	240	161,266	619	214,977	573	231,471

Notes: ¹ Payments are calculated using the maximum interest rate for student borrowers, 8.25 percent.

² Assumes a 5 percent annual income growth (Census Bureau).

³ HOH is Head of Household. Assumes a family size of two.

Can I Switch Repayment Plans?

You can switch plans at any time as long as the maximum repayment period under your new plan is longer than the amount of time your loans have already been in repayment. (There is a restriction on switching plans if you are repaying a defaulted loan under the Income Contingent Repayment Plan. Check with the Servicing Center.)

Can I Consolidate My Student Loans to Make Repayment Easier?

Yes. If you have federal student loans in addition to your Direct Loans, you may want to consider a Federal Direct Consolidation Loan to simplify repayment. Consolidation allows you to make only one monthly payment to cover all your loans (including non-Direct federal student loans). You will also receive the benefits of Direct Loan consolidation, such as greater repayment flexibility.

You may consolidate your loans while you are enrolled at least half time in a school that participates in the Direct Loan program, during your grace period, or after you begin repayment. If you apply to consolidate your loans while one of your loans is in an in-school period, you will receive a grace period on your Direct Consolidation Loan. This means that after you graduate or reduce your enrollment to less than half time, you will not have to make payments on your loan for six months.

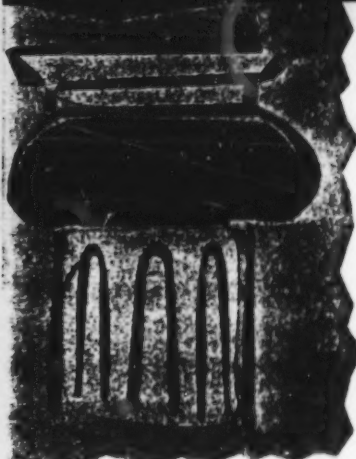
Note: Unless your Direct Consolidation Loan includes at least one Direct Loan or FFEL Program loan in an in-school period or you are eligible for a deferment or forbearance on your Direct Consolidation Loan, the first payment on your Direct Consolidation Loan will be due within 60 days of the first disbursement of your loan.

A married couple may jointly consolidate their loans. If they do, both parties will be responsible for repaying the total loan, even if they separate or divorce. Also, if one spouse dies, the other is responsible for the entire payment. Therefore, you should carefully consider jointly consolidating your loans with those of your spouse.

There are three categories of consolidation loans:

- Federal Direct Subsidized Consolidation Loans
- Federal Direct Unsubsidized Consolidation Loans
- Federal Direct PLUS Consolidation Loans

You can
consolidate your
loans to make
repayment
easier.



Federal Direct Subsidized Consolidation Loans

You can combine the following loans into one Direct Subsidized Consolidation Loan:

- Any Direct Subsidized Loans
- Subsidized Federal Stafford Loans
- Guaranteed Student Loans (GSLs)
- Federal Insured Student Loans (FISLs)
- Federal Perkins Loans
- National Direct Student Loans
- National Defense Student Loans
- Subsidized Federal Consolidation Loans
- Other Direct Subsidized Consolidation Loans

Federal Direct Unsubsidized Consolidation Loans

The following loans can be combined into one Direct Unsubsidized Consolidation Loan:

- Any Direct Unsubsidized Loans
- Unsubsidized Federal Stafford Loans
- Federal Supplemental Loans for Students (SLS)
- Auxiliary Loans to Assist Students (ALAS)
- Health Professions Student Loans (HPSLs)
- Health Education Assistance Loans (HEALs)
- Loans for Disadvantaged Students (LDS)
- Nursing Student Loans (NSL)
- Federal Consolidation Loans
- Other Direct Unsubsidized Consolidation Loans

In short, most subsidized federal student loans can be consolidated into a Direct Subsidized Consolidation Loan, and unsubsidized federal student loans can be consolidated into a Direct Unsubsidized Consolidation Loan. Direct PLUS Loans and Federal PLUS Loans (loans made to parents), as well as other Direct PLUS Consolidation Loans, can be combined into one Direct PLUS Consolidation Loan. Even if you have loans from more than one category, you still have only one Direct Consolidation Loan and make just one monthly payment.

All four repayment plans are available to borrowers of Direct Subsidized Consolidation Loans and Direct Unsubsidized Consolidation Loans. The Income Contingent Repayment Plan is not available to Direct PLUS Consolidation Loan borrowers (parents).

Borrowers with a Direct PLUS Consolidation Loan as well as a Direct Subsidized Consolidation Loan and/or Direct Unsubsidized Consolidation Loan have two repayment plans available if they choose to repay the Direct Subsidized Consolidation Loan under the Income Contingent Repayment Plan.

If you do not select a repayment plan, your Direct Consolidation Loan is automatically placed on the Standard Repayment Plan.

If you do not select a repayment plan, your Direct Consolidation Loan is automatically placed on the Standard Repayment Plan.

If you are in default on a federal student loan, you may consolidate if you agree to repay under the Income Contingent Repayment Plan. (This option does not apply to borrowers who are in default on PLUS loans or to in-school borrowers with defaulted loans.) If you do not wish to repay under the Income Contingent Repayment Plan, you must make three consecutive monthly payments to your current holder under a satisfactory repayment arrangement before you can consolidate your loans. Your three monthly payments are not allowed to be more than what is reasonable and affordable, based on your total financial circumstances.

For more information about Direct Consolidation Loans, contact your financial aid office or call ED's toll-free Consolidation number, 1-800-557-7392.

May I Pay off My Loans Early?

Yes, you may prepay all or part of your unpaid balance on any Direct Loans at any time, without an early-repayment penalty. If, while you are in school, you have more than one Direct Loan, be sure to specify which loan you are prepaying. The Servicing Center will apply the prepayment first to any charges or collection costs, then to interest, and to principal.

What If I Have a Problem Repaying My Loans?

If you think you might have a problem making a scheduled payment on your loans, immediately contact the Servicing Center. The Servicing Center will work with you to help you avoid the costs and adverse conse-

quences of delinquency or default on your Direct Loans. (See page 18 for a discussion of default.) There are several options available to help you avoid default, such as changing repayment plans, deferment, or forbearance.

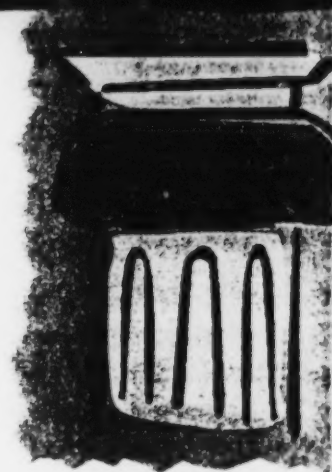
Deferment

A deferment temporarily postpones payment on your loans. During deferment of Direct Subsidized Loans, principal payments are postponed, and interest is not charged. In the case of Direct Unsubsidized Loans, principal payments are postponed, but interest is charged during the deferment period. The interest may be paid monthly, or it may be capitalized (see page 3).

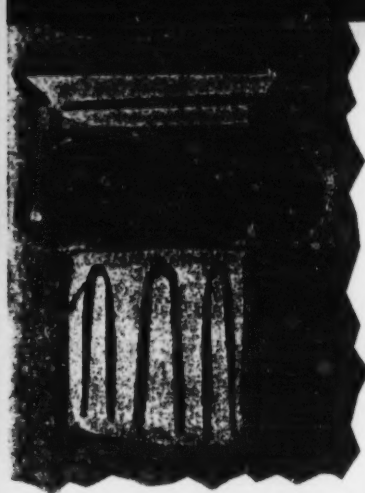
You may be eligible for deferment if you are:

- Pursuing at least half-time study at an eligible school;
- In a graduate fellowship program approved by the U. S. Department of Education;
- In a rehabilitation training program, for individuals with disabilities, approved by the U.S. Department of Education;
- Conscientiously seeking but unable to find full-time employment (for up to three years); or
- Experiencing economic hardship (for up to three years).

These deferments apply to all Direct Loans.



You may prepay
all or part of
your unpaid
balance on any
Direct Loans at
any time,
without an
early-repayment
penalty.



Forbearance is a temporary postponement or reduction of loan repayments.

If, at the time you obtain a Direct Loan, you have an outstanding balance on a Federal Stafford Loan, Guaranteed Student Loan, Federal Insured Student Loan, Federal PLUS Loan, Federal SLS Loan, ALAS Loan, or Federal Consolidation Loan made before July 1993, you may also be eligible for other deferments.

You can also defer your Direct Loan:

- While serving in the U.S. Armed Forces, in the Commissioned Corps of the Public Health Service, or in the Peace Corps (for up to three years);
- While serving as a full-time paid volunteer for ACTION programs or an approved tax-exempt organization (for up to three years);
- While you are "temporarily totally disabled" according to the certification of a qualified physician, or while you are unable to work because you must care for a spouse or other dependent who is temporarily totally disabled (for up to three years);
- While engaged in an internship or residency program (for up to two years);
- While serving in the National Oceanic and Atmospheric Administration Corps (for up to three years);
- While teaching full time in a public or nonprofit private elementary or secondary school in an area the U.S. Department of Education has determined to be a teacher shortage area (for up to three years);
- If you are a mother of a preschool-age child, and you have entered or re-entered the work force within the

preceding year in a full-time position at a salary not more than \$1 above the minimum wage (for up to one year); or

- For parental leave for each period during which you are pregnant, you are caring for your newborn child, or you are caring for your newly adopted child (for up to six months). You must be unemployed, must not be a student, and must apply within six months after you leave school or drop below half-time status.

You must apply for deferment through the Direct Loan Servicing Center. The Servicing Center will send you the appropriate deferment form to fill out and return.

Forbearance

Forbearance is a temporary postponement or reduction of loan payments for a limited and specified period or an extension of time that you have to make your loan repayments. When requesting forbearance, you will be required to provide documentation to support the request. You may qualify for forbearance if you are:

- Unable to make loan payments due to poor health or other acceptable reasons and you do not meet a deferment condition;
- Serving in a medical or dental internship or residency;
- Serving in a position under the National and Community Trust Act of 1993; or
- Obligated to make payments on federal student loans that are equal to or greater than 20 percent of your total monthly gross income (for up to three years).

During forbearance, interest will be charged and, unless it is paid, will be added to the principal balance of your loans (see the description of capitalized interest on page 3). This will increase the amount you owe.

Can My Direct Loan Debt Ever Be Discharged (canceled)?

A discharge (cancellation) releases you from all obligation to repay your Direct Loans. You can only receive a discharge if:

- You are totally and permanently disabled (this cannot be for a condition that existed before you applied for Direct Loans, unless a doctor certifies that the condition substantially deteriorated after the loans were made);
- You cannot complete a course of study because your school closed (under certain circumstances) or your school falsely certified your eligibility;
- Your school signed your application or promissory note without your approval;
- You filed for bankruptcy (in certain cases); or
- You die.

In addition, some loans may not have to be repaid if you claim, as a defense against repayment, that the school did something wrong or failed to do something it should have done. You may make such a claim as a defense against repayment only if what the school did or did not do could result in legal action being taken against the school under state law.

You could raise your defense during the following proceedings:

- Tax refund offset
- Wage garnishment
- Salary offset for federal employees
- Credit bureau reporting

You may be able to raise your defense in other proceedings as well.

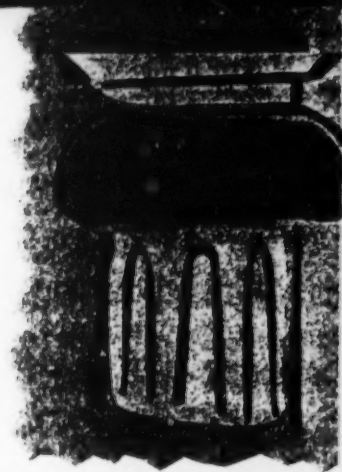
You may not avoid repaying your loans because you:

- Did not complete the program of study at the school (for reasons other than school closure or false certification of loan eligibility),
- Did not like the school or the program of study, or
- Did not obtain employment after completing the program of study.

Can I Get Any Help Paying Back My Loans?

As a Direct Loan borrower, you are responsible for making sure your loans are repaid. However, you may qualify for repayment assistance from a state or local agency, your employer, private organizations, the military, or other federal agencies.

Many state and local education agencies provide student loan repayment assistance to borrowers employed in certain fields in their state or local jurisdiction. These fields often include teaching, medicine, and social services.



As a Direct
Loan borrower,
you are
responsible for
making sure
your loans are
repaid.



If you are a member of any professional, civic, or religious organizations, check with them to find out whether loan repayment assistance is available.

If you are a member of any professional, civic, or religious organizations, check with them to find out whether loan repayment assistance is available. You might also want to check with your employer's benefits department to find out whether your employer has a repayment assistance program.

The federal government's Corporation for National and Community Service may also assist you in repaying your Direct Loans in exchange for you providing specific types of community service. For information on this program, contact Americorps. The toll-free telephone number is 1-800-942-2677.

What Should I Do about My Loans If I Transfer to Another School?

If you enroll at a different school at least half time before your grace period ends, your Direct Loan can then be put back into an "in-school" status, and repayment will be delayed until six months after you graduate, leave school, or drop below half-time enrollment. Check with the Servicing Center to make sure your loans remain in an in-school status.

If you plan to transfer, and you will be enrolled at least half time, contact the Direct Loan Servicing Center to request an in-school deferment. (You are not eligible for this deferment if you are

enrolled less than half time.) When you receive the deferment form, complete the borrower's section and submit the form to your current school. The school will complete the form and return it to the Servicing Center. The Servicing Center will send you an acknowledgement that the form was received and that your loans are still in an in-school status.

If you have Direct Subsidized Loans, interest will not be charged while your loans are in an in-school status, and you will not owe any payments. If you have Direct Unsubsidized Loans, interest will accumulate while you are in school (you can pay the interest or have it capitalized), but you will not be required to make payments on the principal amount of your loans. (See page 3 for a discussion of capitalized interest.)

Remember that if you have other federal education loans, you should keep the holders of those loans informed of your in-school status to request an in-school deferment.

What Happens If I Go Back to School After My Grace Period Has Ended?

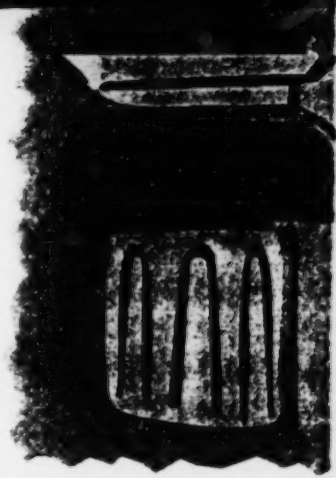
If you return to school at least half time after your six-month grace period has ended and your Direct Loans have entered repayment, you may qualify for a deferment. (See pages 13 and 14 for a discussion of deferment.)

You will need to contact the Servicing Center about your plans. The Servicing Center will send you the form the school needs to use to confirm your enrollment. After the school files the deferment form for you, the specific deferment benefits you receive will depend on the types of Direct Loans you have.

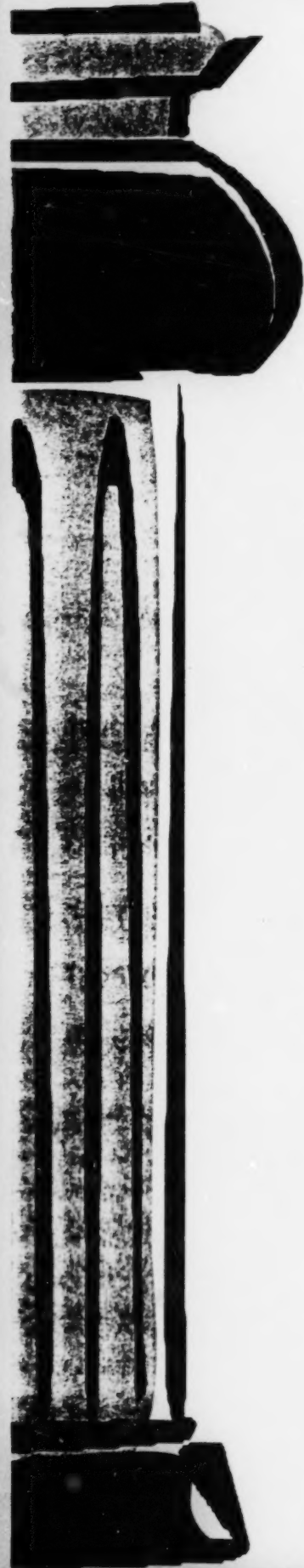
- If you have Direct Subsidized Loans, your payments will be deferred, and no interest will be charged to your loans.
- If you have Direct Unsubsidized Loans, your principal payments will be deferred, but interest will continue to accumulate. You may pay the interest or allow it to be capitalized (see page 3).

Your repayment period begins the day after your grace period ends. Your first payment will be due within 60 days after your repayment period begins.

Also remember to contact the holders of your other federal education loans to find out whether or not you qualify for a deferment.



Your first
payment will be
due within 60
days after your
repayment
period begins.



Consequences of Default...

What is Default?

Default occurs when a Direct Loan borrower becomes 270 days delinquent in making a payment on his or her loans.

How Will I Know If I Am in Danger of Defaulting?

If you fail to make a payment, the Servicing Center will send you a reminder that your payment is late. If your account remains delinquent, the Servicing Center is required to regularly send you warning notices reminding you of your obligation to repay your loans and the consequences of default. The Servicing Center can also add late fees if your payments are late.

How Does Defaulting Affect Me?

If you fail to make loan payments on time or if you default on your loans, the consequences are serious:

- At the option of the Department of Education, the entire unpaid balance and accrued interest on your loan would be immediately due and payable.
- You will lose your deferment options.
- You will not be eligible for further federal student financial aid.
- Your account may be turned over to a collection agency.

- Your account will be reported as delinquent to credit bureaus, which can damage your credit rating.
- The federal government can take your federal tax returns.
- Late fees, additional interest, court costs, collection fees, attorney's fees, and other costs may increase your total debt.
- Your employer, at the request of the federal government, can withhold (garnish) part of your wages and give them to the federal government.
- The federal government can take legal action against you!

Remember, if you are having trouble making your payments, call the Direct Loan Servicing Center. The Servicing Center will work with you to help you avoid the serious consequences of default.

Managing Your Direct Loan Records

Although the Servicing Center keeps records of all your Direct Loan transactions, it is important that you also keep accurate records.

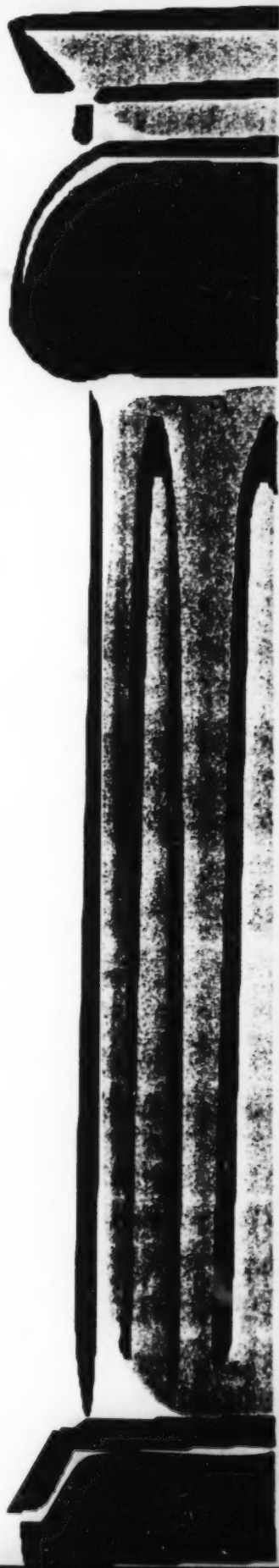
As you repay your loans, items such as canceled checks and letters you receive from your school or the Servicing Center might seem like paperwork cluttering up your life, but they can be important. Do not throw them out!

To be a successful loan manager, always keep your personal records up to date. You might need these records if you ever need to prove to a potential lender that you have responsibly managed your loans—for example, if you want to borrow to buy a car or to apply for a credit card.

You should keep:

- All "borrower" copies of loan documents (such as promissory notes and disclosures) received from your school loan, the Loan Origination Center, and the Servicing Center;
- Bank account statements or copies of money orders you used to make your loan payments;
- All loan correspondence you receive from your school;
- All correspondence you receive from the Servicing Center; and
- All entrance and exit counseling materials given to you by your school and the Servicing Center.

Each time one of your loans is paid off, the Servicing Center will send you a letter confirming that the loan is paid in full. These letters are important items to keep, too.



Information Review

The following questions are designed to help you review what you have learned about Direct Subsidized and Direct Unsubsidized Loans. You can find answers to some of these questions in your promissory note and in the borrower's rights and responsibilities summary statement in this *Borrower's Guide*. Write your answers below or on a separate piece of paper, then check your answers with the key at the foot of the page.

1. What is the interest rate on my Direct Loan(s)?
2. What are the four repayment plans?
3. Name three reasons for granting loan deferments.
4. The grace period for my loan(s) is ____ months.
5. When does my grace period end?
6. As a Direct Loan borrower, if I transfer to another school, I should do the following:
7. When will I be charged interest on a Direct Unsubsidized Loan?
8. When will I begin repaying my Direct Subsidized Loan?
9. Name three things that can happen if a borrower defaults?
10. What is capitalized interest?
11. When can I consolidate my loans?

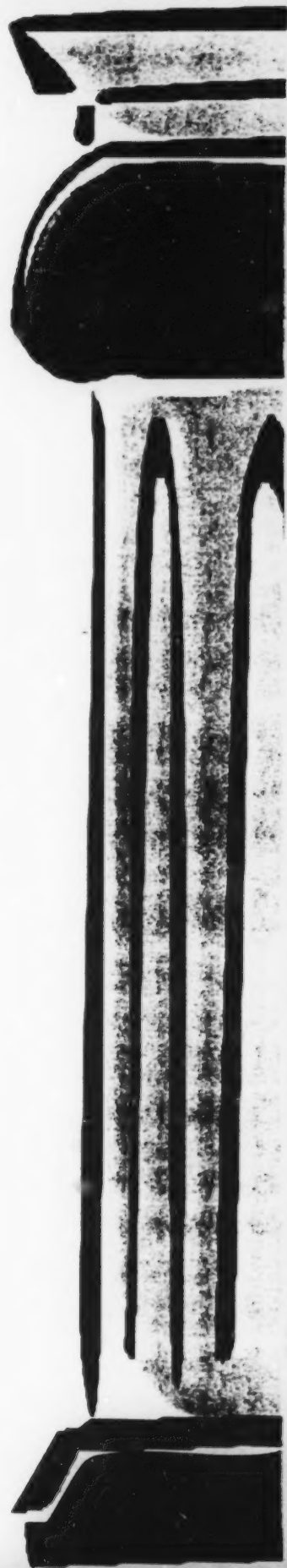
Answer Key

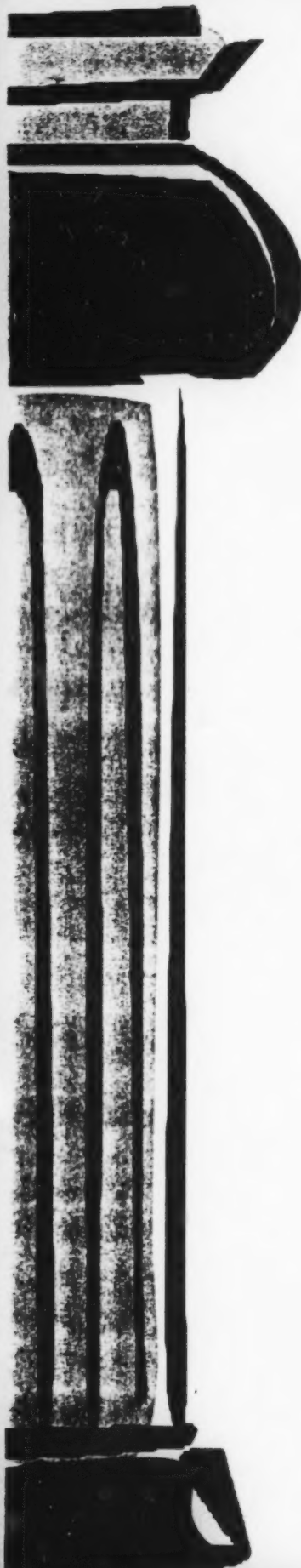
1. The interest rate will never exceed 8.25 percent, but the actual percentage rate may change each year on July 1.
2. The four repayment plans are Standard, Extended, Graduated, and Income Contingent.
3. See the Deferment section of this brochure.
4. Six.
5. The day after I graduate or drop below half-time enrollment status.
6. Contact the Direct Loan Servicing Center to request a loan deferment form and apply for a deferment.
7. Interest is charged on a Direct Subsidized Loan throughout the life of the loan—while the borrower is in school, from the day of disbursement, during the six-month grace period, and during periods of deferment and forbearance.
8. The repayment period begins the day after my grace period ends. My first payment will be due within 60 days after the grace period ends.
9. See Consequences of Default section of this guide.
10. Accumulated interest that is added to the principal amount of a loan.
11. While I am in school, during my grace period, and once I begin repayment.

Important Things You Should Find Out From Your School

Research these questions at your school and write the answers in the spaces provided.

- What is my average monthly payment amount based on how much I owe?
- How do I obtain a financial aid transcript from my current school?
- How do I obtain an academic transcript from my current school?
- What address and telephone number should I use if I need to contact my school about my loans?
- If I graduate or withdraw, do I owe my current school any money?
- What services can my school's career planning or placement office provide?
- Does my school's alumni association have a local chapter that will help me stay in touch with my school?





Budgeting Your Money

One significant aspect of successfully managing your money after leaving school is repaying your student loans. In the process, you will be establishing a good credit rating, which is a key to your future financial independence.

What is Budgeting?

Budgeting is the process of planning for the most effective use of your financial resources by defining your expected monthly expenses (such as rent, groceries, telephone, and student loan payments) and the resources you expect to have available (such as your earnings) to pay those expenses.

How Do I Set Up My Budget?

The interactive budgeting worksheet and calculator at <http://www.ed.gov/DirectLoan/BudgetCalc/budget.html> will help you determine your expenses and estimate your total available income. You will need to consider the total cost of your expenses and the total amount of your resources. The budget calculator lists most of the critical items to help you consider all of your expenses and resources. Based on the figures entered, an estimated budget figure will be calculated for the year.

The worksheet on page 26 will help you create a budget by itemizing your expected expenses as well as your expected income and other resources to meet those expenses. The three main steps in creating an out-of-school budget are:

1. Calculate your total expected income.
2. Calculate your total expected expenses.
3. Determine the balance.

You will want to create your budget for a fixed period of time and plan to regularly review it. In general, a one-year budget, broken down on a month-by-month basis, will create an accurate picture of your economic situation. The following information will help you complete your worksheet.

1. Calculate your total expected income.

Begin by gathering your pay stubs and bank statements. Most of your income will probably come from salary. To calculate your gross *monthly* salary, divide your gross annual salary by 12. Remember, this result is your gross monthly salary, before deductions.

To figure out how much you will have available each month to pay your bills and living expenses, you must compute your net monthly salary. This is the amount you have after state and federal taxes, Social Security and Medicare (FICA taxes), and any other withholdings are deducted. If you remain in your current job, your pay stubs will give you current information. Or you can estimate that 25 or 30 percent of your salary will be withheld for taxes and FICA. So, to estimate your net monthly salary, multiply your gross monthly salary by .75 or by .70.

.....

You then add any other income to your salary to determine your total net monthly income. Other income sources might be a second job, help from parents or family, interest income, or non-taxable income.

2. Calculate your total expected expenses.

To determine your expenses, you will need your checkbook. You will also need to collect basic information, such as copies of your bills. If you will be living in the same area as you have been while in school, you already have much of the information you need to figure many of your living expenses. But, if you will be moving, you will need to research to estimate your total monthly expenses. The worksheet will provide you with a good list of expenses to plan for and to find out about. When you look for a place to live, ask the manager of the property to provide you with information about utilities and other costs typically incurred by people living there.

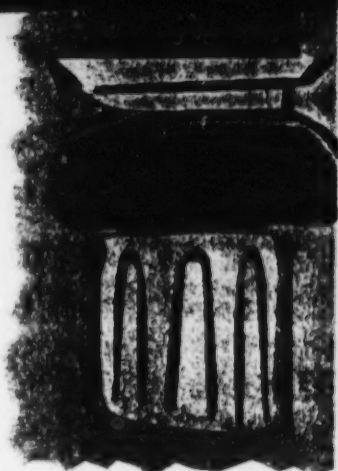
As you calculate your expenses for the worksheet, try to identify them as "fixed" or "variable." Fixed expenses are those that routinely occur each month and are usually for the same amount. Examples of fixed items are your rent, car payment, and consumer debt payments. Fixed expenses are unlikely to change. You can control variable expenses such as utility bills, groceries, and entertainment. Thinking about your expenses in this way will help you identify the expenses you can change if you want to or need to.

Remember that not all your expenses—fixed or variable—will occur every month. For example, car insurance premiums are often paid only twice a year. But if you take the annual amount and divide it by 12 months, you can account for the expense in your budget as a "savings" item each month so you will be prepared to pay the bill when it arrives.

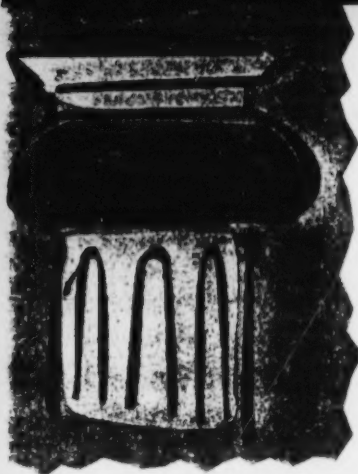
When using the worksheet on page 26, remember that the expenses and resources you are comparing should be for the same period of time.

Housing: If you lived on campus or with your parents while you were in school, and if you plan to live on your own or with roommates after graduation, you can estimate the cost of housing in the area where you plan to live by calling various rental properties, adding up the prices, and computing an average. You can also review listings in the local newspaper. You should expect to spend 25 to 30 percent of your monthly net income on housing.

Utilities: You will also need to budget for utilities, such as gas and electricity, if they are not already included in your rent. As already suggested, the managers of properties you are interested in should be able to tell you the cost of these items, and the local utility companies might also be willing to give you information about specific properties. Do not forget the costs of a telephone. If you will not be living near your family, long-distance telephone calls may be a significant budget item. Budget 2 to 10 percent of your net income for utilities.



Remember that
not all your
expenses—fixed
or variable—will
occur every
month.



You should try to
spend no more
than 5 to 15
percent of your
net income for
monthly
payments on
student loans and
consumer debts.

Transportation: This includes routine travel, such as commuting to work, but you may also need to budget for pleasure or other long-distance travel. Transportation could include bus or train fare, or maintenance on your car and the cost of gas. Multiply the number of miles you expect to drive each month by 30 cents for a reasonable estimate of the monthly cost of gas and maintenance. You may also need to allow for parking fees. In general, you can expect to spend 2 to 5 percent of your net income on transportation.

Food and Personal: Personal items and food costs include clothing, groceries, entertainment, dining out, dry cleaning, and haircuts. If you keep a day-by-day record of your expenses for a month or so, you will have a good idea of how much you spend on these items. You can estimate that you will spend 10 to 15 percent of your net income for food and 2 to 10 percent for personal expenses, for a total of 12 to 25 percent of your net income.

Debt Obligations: To avoid excessive debt expense, you should try to spend no more than 5 to 15 percent of your net income for monthly payments on student loans and consumer debts, including credit cards and car payments. If you are using more than 15 percent of your monthly net income for these payments, you may need to make some budget adjustments.

Insurance: Your health, life, auto, and renter's/home owner's insurance payments are usually fixed amounts, but they might not be paid on a monthly basis. You should budget 2 to 5 percent of your monthly net income for these expenses. Some companies that provide health and life insurance will, with your authorization, automatically deduct premiums from your paycheck or your bank account.

Health Care: Setting aside 5 percent of your monthly net income for health-care expenses will give you a resource for costs your insurance may not pay. Even though you probably will not have health-care costs every month, you should set this money aside so that you will be prepared when these expenses arise.

Savings: It is very important to build up your savings. Plan to put 5 to 10 percent of your net earnings into a savings account. This money can be set aside for unexpected expenses, emergencies, or vacations. Your employer may offer a pre-tax savings plan, often called a 401(K) account, a 403(b) account, or "annuity." This type of plan allows you to save for your future and reduces the amount of income tax you pay. Your employer's benefits coordinator can advise you on these pre-tax savings plans.

Miscellaneous: Because you cannot anticipate every monthly expense, you should set aside 1 to 2 percent of your monthly net income for miscellaneous expenses. These could include out-of-pocket expenses, convenience items, magazines, newspapers, and other small purchases.

3. Determine the balance.

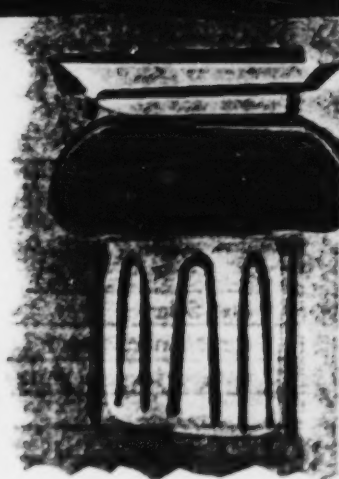
The balance represents the difference between your available resources and your expenses.

Calculating the balance will give you a useful figure on which to base your selection of a repayment plan for your Direct Loan. The balance is determined by subtracting your expenses from your net income.

If your balance is negative—in other words, if your expenses are greater than your income—you need to reduce your expenses or increase your income. Adjusting your expenses or income will help you find a way to make sure there is room in your budget for your student loan payment. The Direct Loan Servicing Center can help you identify the repayment plan that will require the lowest monthly payment amount, and you can use this plan until your economic situation improves.

Under the Direct Loan Program, you can change your repayment plan as your financial situation changes. This helps you meet your payment obligations and allows you to reduce the total costs of your loans by making larger payments when you can afford them.

If your total resources are greater than your total expenses—in other words, if the balance is a positive dollar amount—you might select a loan repayment option with a higher monthly payment. In this way, your loans will be paid off sooner, reducing their overall cost.



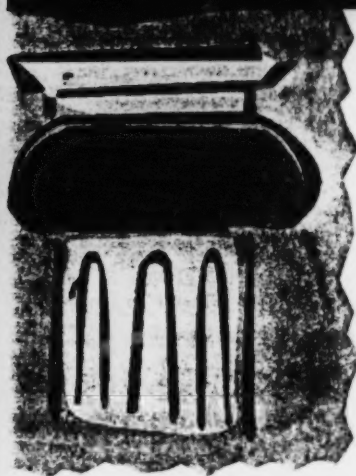
If your total resources are greater than your total expenses you might select a loan repayment option with a higher monthly payment.

Budget Planning Worksheet

Estimated Income	Yearly Amount	Monthly Amount	Estimated Expenses	Yearly Amount	Monthly Amount
Salary and Adjustments			Housing		
Net Salary			Rent/Mortgage		
(gross salary Less F.I.C.A./Medicare, federal tax, and state and local tax)			Utilities		
			Gas and Electric		
			Telephone		
Non-Taxable Income			Water		
AFDC			Transportation		
Veterans Benefits			Bus/Train		
Social Security			Gas Maintenance		
Other			Parking		
Other Income					
Interest Income			Food and Personal		
Investment Income			Groceries		
			Clothing		
			Dining Out		
			Laundry/Dry Cleaning		
			Entertainment		
			Other		
			Debt Obligations		
			Student Loans		
			Car Payment		
			Credit Cards		
			Other Loans		
			Insurance		
			Car		
			Home/Rent		
			Health		
			Life		
			Health Care		
			Deductible/Copayments		
			Doctor/Dentists Visits		
			Prescriptions		
			Savings		
			Miscellaneous		
TOTAL INCOME			TOTAL EXPENSES		
Your Balance	_____ Yearly		_____ Monthly		

Common Loan Terms

<i>Alternative repayment</i>	A repayment plan the Servicing Center provides to a borrower who adequately demonstrates that the terms and conditions of the four Direct Loan repayment plans do not accommodate his/her exceptional circumstances.
<i>Borrower</i>	Person responsible for repaying a loan who has signed and agreed to the terms in the promissory note.
<i>Capitalizing interest</i>	Adding accumulated interest to the loan principal rather than having the borrower make monthly interest payments. Capitalizing interest increases the principal amount of the loan and, therefore, the total cost of the loan.
<i>Collection costs</i>	Costs the government incurs when collecting a delinquent or defaulted loan. These costs are charged to the borrower.
<i>Default</i>	Failure to repay a loan in accordance with the terms of the promissory note.
<i>Deferment</i>	The temporary postponement of loan payments.
<i>Delinquency</i>	Incidents of late or missed loan payments, as specified in the terms of the promissory note and the selected repayment plan.
<i>Direct Consolidation Loan</i>	One or more federal education loans combined into a single loan under the Direct Loan Program. Only one monthly payment is made to the U.S. Department of Education.
<i>Direct Loan Servicing Center</i>	The place where Direct Loan borrowers send their loan payments. The Servicing Center can answer questions you might have about your Direct Loan.
<i>Discharge (cancellation)</i>	The release of borrowers from their obligations to repay their Direct loans. Only borrowers who meet certain requirements will be eligible for discharges.
<i>Exit counseling</i>	A group or individual session during which Direct Loan borrowers who are leaving school or dropping below half-time enrollment receive important information about their repayment obligations and update information about themselves.
<i>Extended Repayment Plan</i>	A plan that requires the borrower to pay at least \$50 a month and allows up to 30 years to repay, depending on the amount borrowed.



The Income
Contingent
Repayment Plan
allows the
monthly payment
amount to vary
with the
borrower's
income.

**Federal Direct
Loan Program**

The William D. Ford Federal Direct Loan Program, also referred to as Direct Loan Program, is a federal program that provides loans to student and parent borrowers directly through the U.S. Department of Education. The loans are Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, and Federal Direct Consolidation Loans.

**Federal Direct
Subsidized
Stafford/Ford
Loan**

Also referred to as "Direct Subsidized Loan." A federally financed student loan made to students meeting eligibility requirements. The federal government does not charge interest on these loans while borrowers are enrolled at least half time, during the six-month grace period, or during authorized periods of deferment.

**Federal Direct
Unsubsidized
Stafford/Ford
Loan**

Also referred to as "Direct Unsubsidized Loan". A federally financed student loan made to students meeting eligibility requirements. Students need not demonstrate financial need. Interest is charged throughout the life of the loan. The borrower may choose to repay the interest charged on the loan or allow the interest to be capitalized (added to the loan principal) when the loan enters repayment.

Forbearance

An arrangement to postpone or reduce a borrower's monthly payment amount for a limited and specified period or to extend the repayment period. The borrower is charged interest during forbearance.

Grace Period

A six-month period before the first payment must be made on a Direct Subsidized or Unsubsidized Loan. The grace period starts the day after the borrower ceases to be enrolled at least half time. During the grace period on a Direct Unsubsidized Loan, accumulating interest must be paid, or it will be capitalized.

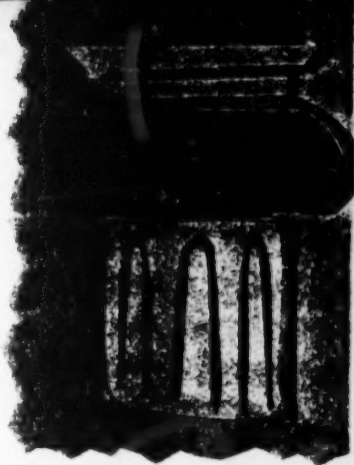
**Graduated
Repayment Plan**

A plan that allows monthly payment amounts to start out at one level and then increase every two years during the repayment period. Borrowers have up to 30 years to repay, depending on the amount they borrowed. The **minimum** payment must cover interest that accumulates monthly and must be at least half of the payment that would be required under the Standard Repayment Plan. The **maximum** amount may not be more than 1-1/2 times the payment that would be required under the Standard Repayment Plan.

**Income Contingent
Repayment Plan**

A plan that allows the monthly payment amount to vary with the borrower's income. A borrower has up to 25 years to repay.

Interest	A loan expense charged by the U.S. Department of Education and paid by the borrower for the use of borrowed money. The expense is calculated as a percentage of the principal amount (loan amount) borrowed.
Loan	Money borrowed that must be repaid.
Loan principal	The total sum of money borrowed.
Postponement (loan)	See deferment and forbearance
Prepayment	Any amount paid on a loan before it is required to be paid under the terms of the promissory note. There is never a penalty for prepaying principal or interest on Direct Loans.
Promissory note	A legally binding contract between the U.S. Department of Education and a borrower. The promissory note contains the terms and conditions of the loan, including how and when the loan must be repaid.
Repayment schedule	A statement provided by the Direct Loan Servicing Center to the borrower that lists the amount borrowed, the amount of monthly payments, and the date payments are due.
Standard Repayment Plan	A plan that requires a borrower to pay at least \$50 a month and allows up to 10 years to repay.



The Standard
Repayment Plan
requires a
borrower to pay
at least \$50 a
month and allows
up to 10 years to
repay.

Notes

Borrower Information

Please read the *Rights and Responsibilities Summary Checklist* on the back of this page.

I have attended exit counseling for subsidized Federal Direct Stafford/Ford Loan and Federal Direct Unsubsidized Stafford/Ford Loan borrowers. I have read, and I understand, my rights and responsibilities as a borrower, as listed on the back of this page. I also understand that I must repay my loan according to the terms of the promissory note.

Student Information (Please print clearly)

Name (last, first, middle initial)

Social Security Number

Date of Birth

Home Address (street, city, state, and zip code)

Home Area Code/Telephone Number

Driver's License (state and number)

Employer After Leaving School (if known)

Employer's Area Code/Telephone Number

Employer's Address (street, city, state, and zip code)

References: You must list two persons, with different U.S. addresses, who will know your whereabouts for at least three years.

Name	1.	2.
Street Address		
City, State, Zip Code		
Area Code/Telephone Number		

Student Signature

Date

(Complete and Submit to your School)

Rights and Responsibilities Summary Checklist

I understand that I have a right to the following: (Check off each box as you read.)

- ☐ Written information on my loan obligations and information on my rights and responsibilities as a borrower
- ☐ A grace period and an explanation of what this means
- ☐ A disclosure statement, received before I begin to repay my loan, that includes information about interest rates, fees, the balance I owe, and the number of payments
- ☐ Deferment of repayment for certain defined periods, if I qualify and if I request it
- ☐ Forbearance, if I qualify and if I request it
- ☐ Prepayment of my loan in whole or in part any time without an early-repayment penalty
- ☐ A copy of my promissory note either before or at the time my loan is disbursed
- ☐ Documentation that my loan(s) are paid in full

I understand I am responsible for:

- ☐ Attending exit counseling before I leave school or drop below half-time enrollment
- ☐ Repaying my loan even if I do not complete my academic program (under certain circumstances), I am dissatisfied with the education I received, or I am unable to find employment after I graduate.
- ☐ Notifying my school and the Direct Loan Servicing Center if I:
 - ☐ Move/change my address
 - ☐ Change my name
 - ☐ Withdraw from school or drop below half-time enrollment
 - ☐ Transfer to another school
 - ☐ Fail to enroll or reenroll in school for the period for which the loan was intended
 - ☐ Change my expected date of graduation
 - ☐ Graduate
- ☐ Make monthly payments on my loan(s) after I leave school, unless I have a deferment or a forbearance
- ☐ Notifying the U.S. Department of Education's Direct Loan Servicing Center of anything that might alter my eligibility for an existing deferment

I have received exit counseling materials for Direct Subsidized Loan and Direct Unsubsidized Loan borrowers. I have read and I understand my rights and responsibilities as a borrower.

I understand that I have received a loan(s) from the federal government that must be repaid.

Student's Name (please print)

Social Security Number

Student's Signature

Date

Rights and Responsibilities Summary Checklist

I understand that I have a right to the following: (Check off each box as you read.)

- ☐ Written information on my loan obligations and information on my rights and responsibilities as a borrower
- ☐ A grace period and an explanation of what that means
- ☐ A disclosure statement, received before I begin to repay my loan, that includes information about interest rates, fees, the balance I owe, and the number of payments
- ☐ Deferment of repayment for certain defined periods, if I qualify and if I request it
- ☐ Forbearance, if I qualify and if I request it
- ☐ Prepayment of my loan in whole or in part any time without an early-repayment penalty
- ☐ A copy of my promissory note either before or at the time my loan is disbursed
- ☐ Documentation that my loan(s) are paid in full

I understand I am responsible for:

- ☐ Attending all exit counseling before I leave school or drop below half-time enrollment
- ☐ Repaying my loan even if I do not complete my academic program (under certain circumstances), I am dissatisfied with the education I received, or I am unable to find employment after I graduate
- ☐ Notifying my school and the Direct Loan Servicing Center if I:
 - ☐ Move/change my address
 - ☐ Change my name
 - ☐ Withdraw from school or drop below half-time enrollment
 - ☐ Transfer to another school
 - ☐ Fail to enroll or reenroll in school for the period for which the loan was intended
 - ☐ Change my expected date of graduation
 - ☐ Graduate
- ☐ Making monthly payments on my loans(s) after I leave school unless I have a deferment or a forbearance
- ☐ Notifying the U.S. Department of Education's Direct Loan Servicing Center of anything that might alter my eligibility for an existing deferment.

We Help Put America Through School



**U.S. Department of Education
Office of Student Financial Assistance**

www.ed.gov/DirectLoan

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